



YOUR MONEY MATTERS



The History of Paper Money

In the early days of this nation, before and just after the American Revolution, Americans used English, Spanish, and French currencies.

Colonial Notes 1690

The Massachusetts Bay Colony issued the first paper money in the colonies, which would later form the United States.

Continental Currency 1775

American colonists issued paper currency for the Continental Congress to finance the Revolutionary War. The notes were backed by the “anticipation” of tax revenues. Without solid backing and easily counterfeited, the notes quickly became devalued, giving rise to the phrase “not worth a Continental.”

Nation’s First Bank 1781

The Continental Congress chartered the Bank of North America in Philadelphia as the nation’s first “real” bank to give further support to the Revolutionary War.

The Dollar 1785

The Continental Congress adopted the dollar as the unit for national currency. At that time, private bank note companies printed a variety of notes.

First U.S. Bank 1791

After adoption of the Constitution in 1789, Congress chartered the First Bank of the United States until 1811 and authorized it to issue paper bank notes to eliminate confusion and simplify trade. The bank served as the U.S. Treasury’s fiscal agent, thus performing the first central bank functions.

Monetary System 1792

The federal monetary system was established with the creation of the U.S. Mint in Philadelphia. The first American coins were struck in 1793.

Second U.S. Bank 1816

The Second Bank of the United States was chartered for 20 years until 1836.

State Bank Notes 1836

With minimum regulation, a proliferation of 1,600 local state-chartered, private banks issued paper money. State bank notes, with over 30,000 varieties of color and design, were easily counterfeited. That, along with bank failures, caused confusion and circulation problems.

Civil War 1861

On the brink of bankruptcy and pressed to finance the Civil War, Congress authorized the United States Treasury to issue paper money for the first time in the form of non-interest bearing Treasury Notes called Demand Notes.

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**Greenbacks
1862**

Demand Notes were replaced by United States Notes. Commonly called "greenbacks," they were last issued in 1971. The Secretary of the Treasury was empowered by Congress to have notes engraved and printed, which was done by private banknote companies. The notes were signed and affixed with seals by six Treasury Department employees.

**The Design
1863**

The design of U.S. currency incorporated a Treasury seal, the fine line engraving necessary for the difficult-to-counterfeit intaglio printing, intricate geometric lathe work patterns, and distinctive cotton and linen paper with embedded red and blue fibers.

**Gold Certificates
1865**

Gold Certificates were issued by the Department of the Treasury against gold coin and bullion deposits and were circulated until 1933.

**Secret Service
1865**

The Department of the Treasury established the United States Secret Service to control counterfeiting. At that time, counterfeits amounted to one-third of all circulating currency.

**National Bank Notes
1866**

National Bank Notes, backed by U.S. government securities, became predominant. By this time 75 percent of bank deposits were held by nationally-chartered banks. As State Bank Notes were replaced, the value of currency stabilized for a time.

**Bureau of Engraving
and Printing
1877**

The Department of the Treasury's Bureau of Engraving and Printing started printing all U.S. currency.

**Silver Certificates
1878**

The Department of the Treasury was authorized to issue Silver Certificates in exchange for silver dollars. The last issue was in the Series of 1957.

**Federal Reserve Act
1913**

After 1893 and 1907 financial panics, the Federal Reserve Act of 1913 was passed. It created the Federal Reserve System as the nation's central bank to regulate the flow of money and credit for economic stability and growth. The system was authorized to issue Federal Reserve Notes, now the only U.S. currency produced and 99 percent of all currency in circulation.

**Standardized Design
1929**

Currency was reduced in size by 25 percent and standardized with uniform portraits on the faces and emblems and monuments on the back.

**In God We Trust
1957**

Paper currency was first issued with "In God We Trust" in 1957. The inscription appears on all currency Series 1963 and later.

**Security Thread and
Microprinting
1990**

A security thread and microprinting were introduced to deter counterfeiting by advanced copiers and printers. The features first appeared in Series 1990 \$100 and \$50 notes. By Series 1993, the features appeared in all denominations except \$1 notes.

**Currency Redesign
1994**

The Secretary of the Treasury announced that U.S. currency would be redesigned to incorporate a new series of counterfeit deterrents. The new notes will be issued in 1996.